



House of Commons
Defence Committee

**The future of NATO
and European defence:
Government response
to the Committee's
Ninth Report of
Session 2007–08**

Eighth Special Report of Session 2007–08

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The Defence Committee

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Eighth Special Report

The Defence Committee published its Ninth Report of Session 2007–08 on *The future of NATO and European defence* on 20 March 2008, as House of Commons Paper HC 111. The Government's response to this Report was received on 14 May 2008. This is appended below.

Government response

Introduction

The Government welcomes the Defence Committee's report on the future of NATO and European Defence. The report rightly highlights the key strategic, political and capability challenges facing NATO, on which we believe significant progress was made at the Bucharest Summit on 2–4 April.

The Government would like to address the conclusions and recommendations made by the Committee. In particular, we agree that it is essential that there is a better public understanding of what NATO is doing and why it is doing it—both in terms of supporting and sustaining the necessary investment, and in recognising the need for military forces to be deployed in operations overseas, with all the risks that that entails. The Committee's report will itself help in that regard. A new Strategic Concept would also certainly help that understanding. Steps were taken towards this at the Bucharest summit.

Succeeding in Afghanistan must remain at the top of NATO's agenda, and we agree that some Allies could be doing more in terms of sharing the burden and risk. However many Allies have made increases in their commitment to Afghanistan, which was further built on at the Bucharest Summit. We must also not discount the contributions made by other nations simply because they are not deployed alongside UK forces.

We agree that many European nations need to invest more in defence. If NATO is to improve its military capabilities then, of course, each member of the Alliance needs to invest appropriately in their own deployable and sustainable capabilities.

We also agree that a stronger, expanded and more cooperative relationship between NATO and the EU is essential. However, it is important to note that co-operation on the ground between the two organisations is good, and delivering real results in Kosovo and Afghanistan. We also agree that the Lisbon Treaty has the potential to enhance the EU's role in Defence and we welcome the Common Security and Defence Policy provisions set out in the Lisbon Treaty.

Response

1. (Recommendation 1) We do not share the Secretary of State's confidence that the last NATO Summit at Riga was a success. We recognise that some important progress was achieved, particularly in endorsing the comprehensive approach in Afghanistan and in agreeing the Comprehensive Political Guidance. Nevertheless, we believe that, overall, Riga was a disappointment and that the forthcoming Summit at Bucharest needs to set a clear path to achieving far more. (Paragraph 10)

The Riga Summit should be seen in context: it was not a full Summit meeting in the mould of Istanbul in 2004 or Bucharest this year. Rather, it was a Summit convened to focus on important transformation issues. The importance of NATO agreeing the need to adopt a comprehensive approach to operations, and of endorsing the Comprehensive Political Guidance, should not be underplayed in the Alliance's realignment to respond better to a changing security environment.

2. (Recommendation 2) The Government's stated priorities for the Bucharest Summit, and the criteria by which its success will be judged, are unambitious and disappointingly vague. They do not provide Parliament with a sufficiently detailed breakdown of the UK's aspirations which limits our ability to measure the success of the summit. (Paragraph 13)

The UK's priorities for the Bucharest Summit were set out in the Department's Further Supplementary Memorandum of 12 February 2008 in response to the Committee's request for an outline of "what the UK would like on the agenda for the NATO Heads of Government Summit at Bucharest in April 2008". The UK's priorities were outlined as:

- a reaffirmation of Allied solidarity and purpose in current operations;
- giving NATO the tools to work more effectively as part of a Comprehensive Approach to security challenges and in operations;
- agreement to press forward in modernising NATO structures and procedures to manage complex expeditionary operations and orchestrate the development of Allies' capabilities;
- an invitation to one or more countries currently engaged in the Membership Action Plan (MAP) to join the Alliance, if they are judged to have met the required standards following the completion of the MAP cycle; and
- a commitment to deliver NATO's most pressing military requirements for operations, notably trainers/mentors and helicopters (including through the UK-initiated NATO work to identify and overcome technical/logistical problems currently inhibiting deployment of some Allies' helicopters).

As indicated by the Prime Minister in his statement to the House on 24 April (Official Report, Columns 111—112WS), good progress was made in each of these areas at the Summit.

3. (Recommendation 3) We are also concerned that the Government fails to list seeking improvements in the relationship between NATO and the EU as one of its key priorities for the summit. We believe that improving that relationship is essential for the future effectiveness of both NATO and the EU. (Paragraph 14)

Political constraints are still preventing the kind of open and fully-interactive relationship we want to see between the NATO and the EU, but the important thing is that practical co-operation on operations is good, and delivering real results in Kosovo and Afghanistan. The political difficulties in this area are very real, but we are doing our best to resolve them and to ensure that they do not get in the way of the delivery of security on the ground.

4. (Recommendation 4) We call upon the Government, in its response to this report, to provide us with a comprehensive, detailed and frank assessment of the successes and shortcomings of the Bucharest Summit. (Paragraph 15)

A detailed assessment of the Bucharest Summit was given by the Prime Minister's Written Statement to the House on 24 April—Official Report, 24 April 2008, Columns 111-112WS

(<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080424/wmstext/80424m0001.htm#08042475000014>)

5. (Recommendation 5) The possibility of a global NATO—with a global mission and global partnerships—remains deeply contentious within the Alliance. Agreeing the scope and nature of NATO’s mission should, arguably, be one of the highest priorities at the Bucharest Summit, with that agreement defined clearly in a new Strategic Concept. (Paragraph 40)

The Comprehensive Political Guidance (published at the Riga Summit in November 2006) builds on the extant Strategic Concept to provide a framework for NATO’s planning over the next 10 to 15 years, including the need for NATO to be able to mount expeditionary operations (both Article 5 collective defence and discretionary) in the Euro-Atlantic area and at distance. Combined with NATO’s developing work on Partnerships and on a Comprehensive Approach, this provides the strategic framework against which NATO can plan to operate, and a good vision for change. These elements—together with the Declaration of Atlantic Security that was commissioned at Bucharest—will strengthen the Alliance’s vision of its role in meeting the security challenges of the 21st Century, and help set the scene for a new Strategic Concept. However, the timetable for appointing the new administration following the US Presidential elections later this year means that this will be difficult by the NATO’s 60th Anniversary in 2009; rather, we expect that work on a new Strategic Concept will be commissioned at the Strasbourg-Kehl Summit.

6. (Recommendation 6) Given the global nature of the threats we face, we believe there is no alternative to the Alliance fulfilling a global role. Its willingness and ability to act on a global basis to tackle threats where they arise is fundamental to NATO’s continued relevance. If NATO limits itself to a regional role in defence of the territory of the North Atlantic area alone, its value will be diminished, particularly to the United States, and its future will be in doubt. (Paragraph 41)

The key strategic challenges which NATO must deal with are international terrorism, the proliferation of weapons of mass destruction and their means of delivery, and the instability caused by failed and failing states. Whilst collective defence remains the core purpose of the Alliance, the nature of potential Article 5 collective defence operations continues to evolve. Large scale conventional aggression against Allies in mainland Europe is highly unlikely; but, as shown by 9/11 (following which NATO invoked Article 5 for the first time), future attacks may originate from outside the Euro-Atlantic area, involve unconventional forms of armed assault, the use of asymmetric means, and even weapons of mass destruction. Defence against terrorism and the ability to respond to challenges from wherever they may come have therefore assumed an increased importance. In today’s networked world, regional crises are no longer a regional problem. As agreed in the Alliance’s Comprehensive Political Guidance, NATO must therefore be ready to contribute to conflict prevention and to engage actively in non-Article 5 crisis response operations, often at distance from its traditional Euro-Atlantic area of interest.

NATO’s experience since the end of the Cold War points to the increasing significance of stabilisation operations and of military support to post-conflict reconstruction efforts. The respective roles of NATO, the UN, the EU and other international organisations (the World Bank and NGOs, for example) in on-going operations and in future crises put a

premium on the comprehensive approach: on practical, close co-operation and co-ordination among all elements of the international response.

7. (Recommendation 7) During the Cold War, defining the role and purpose of NATO was straightforward: to contain and counter the Soviet threat. In the post-Cold War world, NATO faces a far more diverse range of security challenges. As a result, NATO's role and purpose is far harder to define. Consequently, there is a lack of understanding, amongst the public in Europe and North America and within the Alliance itself, about the purpose of NATO in the 21st Century. We call upon the governments of all NATO countries to do more to explain to their citizens the relevance of NATO in today's uncertain world. If people do not understand what NATO is for or why it is important to them, their support for it will inevitably decline. (Paragraph 50)

Following the end of the Cold War, the security environment has changed rapidly. NATO cannot afford to stand still, and in response needs a continual process of transformation. But if NATO really is to transform in the way we believe is necessary to meet the challenges of the modern world, NATO needs to carry the public with it. All Allies need to be better at explaining what NATO is doing and why it is doing it. It is essential that our publics understand and recognise the need for change—both in terms of supporting and sustaining the necessary investment, and in recognising the need for military forces to be deployed in operations overseas, with all the risks that that entails.

As part of this process, a Strategic Vision for ISAF was published at Bucharest which sets out clearly what NATO hopes to achieve in Afghanistan.

8. (Recommendation 8) We believe that NATO needs to revise its Strategic Concept as a matter of the highest priority. The new Concept should define, far more clearly, the role, purpose and relevance of the Alliance in the context of today's security challenges. The new Strategic Concept should also reflect the fact that, in terms of its operations, NATO is about more than the projection of military force alone; it is about implementing the Comprehensive Approach, and providing the stability in post-conflict situations to allow reconstruction and development to take place. NATO should launch a review of the Strategic Concept at the forthcoming Bucharest Summit for agreement at its 60th anniversary summit in 2009. (Paragraph 60)

See response to recommendations 5 and 6 above.

9. (Recommendation 9) United States support for NATO is fundamental to the continued existence of the Alliance; without it NATO would become redundant. But the US will only support NATO if the Alliance serves the national interests of its members, and particularly the United States. To remain relevant to the United States, and to demonstrate that relevance to the American people, the Alliance must be capable of tackling today's and tomorrow's security challenges. To do so, NATO must become more capable, more deployable and more flexible, and the European Allies together need to demonstrate clearly what they contribute to NATO. (Paragraph 65)

NATO is an Alliance of like-minded democracies with common values, providing bedrock for consensus and common purpose in defence of those values, now and for the long term. However, the smooth-functioning of any relationship relies on common effort as well as common values. This will not change. But European Allies could and should do more. The

UK has sought to promote capability initiatives in NATO and the EU which would strengthen NATO and European Security and Defence Policy capabilities alike, and regularly calls on European Allies and partners to spend more appropriately and effectively on defence. An insufficient commitment by European Allies to carry their fair role and responsibilities in NATO will do harm to the Alliance, and make it less effective as a result.

10. (Recommendation 10) We are committed to NATO and believe it continues to serve the UK's national interests. The UK's support for the Alliance should not be uncritical or unquestioning, and there are important areas, such as force generation, Burdensharing and capabilities, where NATO must improve. However, we believe NATO remains an indispensable alliance, the essential embodiment of the transatlantic relationship and the ultimate guarantor of our collective security. NATO must remain at the heart of the UK's defence policy. (Paragraph 69)

The true strength of NATO lies in building and delivering transatlantic consensus for action, and providing the critical framework of interoperability to enable it to do so. It is an Alliance that is based on shared values and standards, backed up with a clear recognition that the security of its American and European Allies is indivisible. It is the ultimate guarantor of Europe's security and the means for achieving its collective defence, and remains central to the UK's security interests.

Of course, NATO is not perfect, and there is more work to be done in certain areas, as the Committee's Report identifies, and the UK continues to be in the vanguard arguing for further reform in the Alliance.

11. (Recommendation 11) The purpose of the NATO-led ISAF mission is to achieve stability and security in Afghanistan, to deny al-Qaeda and the Taliban the environment in which to operate, and to implement the Comprehensive Approach by delivering the security necessary to enable reconstruction and development to occur. This requires a sustained, long-term military and financial commitment by all contributing nations. (Paragraph 83)

12. (Recommendation 12) There is currently some disagreement between the NATO allies about the objectives of the ISAF mission and the means of achieving them. All agree on the importance of the Comprehensive Approach, but there are differences in the interpretation of its meaning and implications. Achieving a common understanding of ISAF's mission in Afghanistan should be a key priority for NATO at the Bucharest Summit. This is essential if there is to be greater strategic coherence to the Alliance's operations. (Paragraph 84)

13. (Recommendation 13) Succeeding in Afghanistan is, and must remain, at the top of NATO's agenda. All 26 members of the Alliance contribute to the ISAF mission, and their efforts—together with those of the 14 non-NATO nations who participate in ISAF—are vital to the stabilisation and reconstruction of the country. It is essential the Alliance works together in delivering the Comprehensive Approach—creating the secure and stable conditions to enable reconstruction and development to take place and to allow space for political progress to be achieved. (Paragraph 92)

14. (Recommendation 14) This also underlines the importance of clarifying the ISAF mission in a way that is compatible with the Comprehensive Approach and which all NATO member states will support. A number of issues need to be urgently addressed: the appointment of a UN international coordinator, a divided military command chain, differing perspectives on the mission amongst ISAF troop contributing nations, confusion about dealing with narcotics, the effectiveness of the civil aid effort to win hearts and minds, and corruption within elements of the Afghan administration. Indeed, a clearer definition of success in Afghanistan at Bucharest would be extremely welcome. (Paragraph 93)

15. (Recommendation 15) Failure in Afghanistan would be deeply damaging for the people of that country. It would have serious implications for the Alliance's cohesion and credibility. But NATO's continued existence does not depend upon the outcome of its operations in Afghanistan. In any circumstance it would have a role because of its command structure, its mechanisms for harmonising equipment and promoting interoperability between its members, and its function as a political forum for essential discussions about defence and security. However, if the Alliance cannot demonstrate its ability to undertake expeditionary operations, the support of the United States for NATO over the long-term will be diminished. (Paragraph 94)

The Government agrees with the Committee's assessment of the purpose of the ISAF mission in Afghanistan, and that this requires a sustained, long-term military and financial commitment by all contributing nations. The Bucharest summit saw a joint declaration of intent for continuing to assist Afghanistan—the public vision statement—as well as an internal Political-Military strategy that all nations subscribed to, summing up our common approach in the country.

The Government also agrees that succeeding in Afghanistan must remain at the top of NATO's agenda. We continue to work with our partners in ISAF to ensure that operations in Afghanistan are being run in the best possible way. Kai Eide's appointment as UN Special Representative to the Secretary General in March was a significant step forward for the coordination of the international effort in Afghanistan. Likewise the public vision statement and new Political-Military plan will help to refine and unify the strategic approach that Allies take on a variety of issues.

We also agree that NATO's existence is not contingent upon success in Afghanistan, but recognise that it will reflect upon perceptions of the Alliance's utility. Continued operational success for the ISAF in Afghanistan is therefore important to how all allies regard NATO, as is the most equitable sharing of the burden of risk across the Alliance that it is practicable to achieve.

16. (Recommendation 16) NATO has encountered substantial difficulties in generating sufficient forces for Afghanistan and there are large disparities in troop contributions between different members of the Alliance. In some of the larger troop-contributing nations, there is a perception that the burden in Afghanistan is not equitably shared and that some countries are making sacrifices that others are not prepared to accept. (Paragraph 95)

17. (Recommendation 17) We recognise that not all members of NATO have the capabilities to deploy their forces on expeditionary operations and that some have found it hard to obtain the popular or parliamentary support required to increase their deployments. We welcome, in particular, the pledges made recently by Denmark and the Netherlands to the ISAF mission which show how such barriers can be overcome. (Paragraph 96)

18. (Recommendation 18) More troops are needed in Afghanistan if the ISAF mission is to succeed. We look to our other allies to make additional contributions where they can, be it through increased force levels, pledges of military equipment, or by offsetting the costs of operations. We hope that further progress in force generation can be achieved at the Bucharest Summit. Such progress will be essential to the future of the ISAF mission. (Paragraph 97)

The ability of every nation to contribute to the ISAF is dependant on a range of factors, not least other overseas deployments and the size and capabilities of their armed forces. We are committed to making the case to all Allies for as many forces as possible for operations in Afghanistan, but we recognise that there will never be a perfectly equitable division.

One example of our efforts to assist those wishing to contribute but lacking obviously deployable forces has been the establishment of the Helicopter Initiative with France at the Bucharest Summit. This is a fund which any nation can contribute to, in order to help pay for training and equipment upgrades to be made on helicopters that would subsequently be capable of deploying to Afghanistan. Ten allies made clear at Bucharest their intention to provide direct support to this Initiative, and detailed discussions are now underway on the nature and extent of their involvement.

Bucharest also saw a significant number of additional contributions made by member nations, most notably from France who confirmed the deployment of an additional battalion of French troops to the East of Afghanistan. This enabled President Bush to announce the movement of a substantial US force from the East to Kandahar in the South. A number of other Allies, including Poland, Romania and Slovakia also announced increased contributions. Canada confirmed that it would remain in Kandahar until 2011.

19. (Recommendation 19) The ultimate decision over whether to deploy forces on operations is, and must remain, a matter for each sovereign member state of the Alliance. UK Forces are deployed in Afghanistan without any caveats imposed upon their use, but the public and Parliament maintain a close interest in how those forces are used. The ability of any nation to commit its forces on operations is governed by the willingness of the public to sustain those commitments and by ability of any nation to sustain expeditionary operations. However inconvenient, caveats are an inevitable part of military life. The real challenge is to prevent them from impairing operational effectiveness. There is no doubt that caveats can have a detrimental effect on the coherence of NATO's operations. Although some important progress has been made in removing these restrictions there remains a long way to go. Further progress is essential at Bucharest. (Paragraph 111)

20. (Recommendation 20) The debate on national caveats would benefit from greater clarity about which countries do and do not impose caveats on their force

commitments to ISAF. We call upon the MoD, in its response to this report, to provide a full breakdown of the national caveats imposed by each member of the Alliance on the use of their forces in Afghanistan and to state which countries impose no restrictions. (Paragraph 112)

The Committee has recognised the political and military difficulties surrounding the subject of national caveats and shares our view on the importance of keeping up pressure on other nations at international summits such as Bucharest. We agree with the committee that caveats add to the complexity of the campaign in Afghanistan—although it should be noted that they do also enable countries to deploy their forces when otherwise they might not. We continue to take every opportunity to press for nations to decrease or remove the caveats that they operate under.

Unfortunately, due to the sensitive information that can be deduced from such caveats, it is not possible to provide the breakdown requested by the Committee. Such caveats are confidential matters between the individual nations concerned and NATO/ISAF

21. (Recommendation 21) NATO’s experience in Afghanistan since 2003 has served to highlight areas in which the Alliance needs to improve. It has revealed the need to equip NATO better for expeditionary operations, to improve further defence planning and force generation processes, and to improve significantly its expeditionary military capabilities. To this extent, Afghanistan has helped to promote the military transformation of the Alliance, even if there remains a long way to go. (Paragraph 115)

We agree that the NATO experience in Afghanistan has reaffirmed the need for greater expeditionary capability, and is a principal driver for NATO transformation. We continue to strongly drive the NATO work on Defence Planning Reform that should lead to a more integrated and efficient planning process, with increased co-ordination among planning disciplines and the political and military parts of the Alliance, to help deliver those capabilities needed to meet major shortfalls. We also launched the Helicopter Initiative with France at the Bucharest summit, as described above, which we hope will make a major contribution to improving NATO’s expeditionary military capabilities.

22. (Recommendation 22) New commitments to achieve real, tangible improvements in Alliance capabilities will be a key test of the success of the Bucharest Summit, but their worth will be measurable only in the light of their delivery over time. (Paragraph 116)

At Bucharest, Heads of State and Government supported ongoing work to meet the demands of current and future operations, including by overcoming shortages in reserve forces, increasing support for multinational logistics, ensuring increased interoperability, supporting efforts to remedy the shortage of mission capable helicopters in Afghanistan, and supporting the further implementation of NATO Special Operations Forces Initiative. Although we agree success in some of these areas will only be measurable in time, it is vital that NATO regularly monitors these efforts to ensure progress in being made.

23. (Recommendation 23) NATO currently faces shortfalls in military capabilities in a range of areas, most significantly in strategic airlift, reconnaissance, surveillance and intelligence assets, and interoperable communications. These capabilities are fundamental to current operations in Afghanistan and are also crucial if the Alliance is

to fulfil its ambition of having the capacity to conduct future expeditionary operations. (Paragraph 129)

The 2007 NATO Defence Requirements Review concluded that the key shortfall areas against the Alliance's level of ambition are Strategic Lift, Joint Medical, Theatre Ballistic Missile Defence (TBMD), Air Support, Deployable Airbase Activation Capabilities and Joint Intelligence, Surveillance and Reconnaissance (JISR). The Alliance must now work to address these shortfalls if it is to fulfil the set level of ambition by 2018.

24. (Recommendation 24) In terms of fulfilling its expeditionary role, one of the key capability shortfalls confronting the Alliance is that of political will. This, in turn, depends on a perception of a shared danger and a shared requirement to respond. Expeditionary operations are predominantly discretionary by nature; there is a choice to be made about participation in any given mission. Alliance expeditionary operations, such as the current Afghanistan deployment, must be underwritten and sustained by the political will of the countries involved, both individually and collectively. Its absence undermines the capability of the Alliance. As important as it is to deliver tangible military capabilities, such as strategic airlift, the generation of the political will necessary to fulfil its expeditionary role is the greatest challenge currently facing NATO. (Paragraph 135)

NATO cannot function without political consensus and effective military capability; both are equally important. Political will is multi-faceted:

- At the broadest level, it is reflected in the relative importance attached to defence as a whole—through the resources given to it and on how and where these resources are spent. Low defence spending by some European countries, which directly impacts on NATO's military effectiveness, is one measure of the priority they attach to its effectiveness and / or to their responsibility in delivering this. The UK urges Allies which consistently set defence budgets at significantly less than 2% of their GDP to raise spending to above that level, because we believe that such low levels of spending prevent them from meeting their full responsibilities as Allies and displace these responsibilities unfairly onto others.
- Political will is also reflected in the degree to which Allies commit to NATO activities and operations. Relative national priorities inevitably differ and will be reflected to a degree in where we place our main effort. But NATO is a collective defence and security Alliance; we all subscribe to NATO's Strategic Concept, to the Comprehensive Political Guidance and to decisions taken by consensus by the North Atlantic Council, and should accordingly be prepared to provide appropriate military support. The UK continues to press Allies for the delivery of outstanding key requirements for NATO operations and the NATO Response Force, while playing its own part in this.
- Finally, there is that aspect of political will linked to the acceptance of risk on operations. Allied Governments, but more frequently national parliaments, have been too prone, albeit with the best of intentions, to set caveats on their national troop deployments which curtail their involvement in riskier aspects of NATO operations, and thus their utility to the Alliance. Caveats on the deployment of

personnel to southern Afghanistan are the most glaring example. The UK recognises that the deployment of forces is a sovereign national decision. But responsibility to NATO, including in accepting military risk, is too readily discounted. We continue to urge Allies to play their full part in NATO operations. The Committee's report can help in making this case to other Governments and parliaments.

25. (Recommendation 25) The creation of the NATO Response Force (NRF) is a significant achievement by the Alliance and promises, in theory, to help improve Alliance capabilities in the long term. However, if the NRF is to be effective it will be important for the Allies to achieve consensus on when, where, and why to use it. It is also essential that the force requirements of the NRF are met in full. (Paragraph 144)

The NRF exists both to provide a real operational capability and to set the framework within which nations can develop their military capabilities. It remains NATO's tool of first response, bringing together the flexible, expeditionary capabilities the Alliance needs for both Article 5 and non-Article 5 operations. Although it was declared fully operational at the Riga Summit, there continues to be a debate about how and when the NRF should be used, and there are problems in generating the forces to meet the Combined Joint Statement of Requirement—a problem exacerbated by the call for forces for current operations.

As an interim measure, therefore, whilst operational demands remain high, NATO is developing a graduated approach to building up the NRF based on a robust, permanent core capability which can spearhead operations across all mission sets, and provide the foundation of a larger force package at rather less high readiness. Whilst a temporary, pragmatic approach to a near-term problem, it reinforces the importance of pushing ahead with transformation, and to make more of NATO's (ample) resources deployable. This will entail tough national political decisions by Allies on prioritising spending, and on ensuring national defence spending at an appropriate level.

26. (Recommendation 26) We believe NATO should abandon the present “costs lie where they fall” arrangement for funding the NRF. We believe an appropriate alternative would be to finance the NRF through NATO Common Funding. Putting the NRF on a more stable financial footing is essential if it is to be an effective force. The current arrangements impose unpredictable financial burdens on troop contributing nations and act as a significant political disincentive for deploying the NRF. (Paragraph 145)

Most of the costs associated with the NATO Response Force (NRF) are those related to maintaining appropriate force elements at the right levels of readiness and sustaining them on operations. The Government believes that these costs are properly borne by the nations providing the force elements rather than through common funding. Depending on the specific mission, certain costs that could not be attributed to a single nation, like a theatre HQ and key local items of infrastructure and communications systems, might by agreement be eligible for common funding. And NATO has a time-limited arrangement (until the end of 2009), by which common funding can be used to defray the costs associated with the short-notice deployment of elements of the NRF. This is intended to allow nations a reasonable period of time in which to acquire—individually, collectively or

by ensuring access to—the strategic lift capability they need to be able to deploy their own forces. There is, however, very little evidence so far to indicate that these arrangements for common funding strategic lift have resulted in an increased willingness by nations to offer forces to the NRF.

More widely, it is an assumption of NATO membership that all Allies will contribute what and where they can, using the forces and capabilities they have previously declared as being available to the Alliance. There is also an understanding that the level of Allies' contributions will vary from operation to operation, over time, and according to their capabilities and wider circumstances. This principle makes NATO unique, and sets it apart from other security organisations. The common funding formula used by the United Nations, for example, in which the rich nations of the world pay most of the peacekeeping budget whilst others provide most of the peacekeepers, would not be appropriate in a collective security Alliance, where the military risk and financial cost of operations should by principle be borne by all according to their ability.

The UK continues to urge all Allies to play their full part in NATO operations. That means being better at making the case to the public, and the case for appropriate defence spending more widely. We are also looking at innovative funding solutions to help countries deploy their helicopters and other key capabilities on operations. But the adoption of common funding for NATO operations (including the NRF) would risk dividing the Alliance into “payers” and “players”; would be a disincentive for Allies to invest in their own defence capabilities; would mean that countries like the UK would pay twice (having paid for their own capabilities nations should not then have to subsidise those that contribute less than their expected share); would have a read across to the funding of EU capabilities and operations; and undermine NATO's core collective defence principles.

27. (Recommendation 27) The contribution made to date by Allied Command Transformation to the improvement of the Alliance's expeditionary capabilities is difficult to measure. We are also concerned by reports that its focus on long-term capability development has been overshadowed by the operational demands of Afghanistan. ACT potentially has an important role to play in improving NATO capabilities in the long-term and in developing the Alliance's concepts and doctrines for the future. As important as current operations in Afghanistan unquestionably are, ACT must not be diverted from this central purpose. ACT must also improve its relationship with Allied Command Operations and with the European Defence Agency. (Paragraph 151)

The Government is a firm supporter of ACT but recognises that it is still emerging from its embryonic stage and that problems remain. We share the Committee's view that there is a danger that work on short term support to operations can detract from the longer term transformational objectives. We want to work with ACT to focus its work on the main transformational priorities, improve its internal processes and improve ACT's external relationships with NATO HQ, Allied Command Operations (ACO) and the European Defence Agency. But ACT's role is to support nations wishing to develop interoperable capabilities, not provide them itself, and so better engagement on the part of Allies is also important.

28. (Recommendation 28) The ability of the NATO Alliance to deliver real and lasting improvements in military capabilities depends on the willingness of Allies to commit sufficient resources. There can be no greater demonstration of political will in NATO, or the lack of it, than the amount of money each member of the Alliance is willing to spend on defence. There exists a clear, persistent and growing gap in defence expenditure between the European members of NATO and the United States and there seems little prospect of this being reversed. (Paragraph 165)

See response to recommendation 24 above.

29. (Recommendation 29) Despite a longstanding commitment by all members of the NATO Alliance to spend a minimum of 2% of their GDP on defence, only six out of the 24 European members of NATO actually achieve that target. But defence spending is not simply about quantity; it is about what the money is spent on. We believe that in addition to the 2% target the Alliance should establish detailed capability targets, and timeframes, against which the performance of Allies could be measured. (Paragraph 166)

Defence budgets are a matter for individual nations. But we believe that Allies should be looking to invest at least 2% of their GDP in defence, and consistently lobby those who fall below this level to increase their defence spending in real terms. Defence expenditure which is consistently and significantly below that level prevents nations from contributing appropriately to the Alliance, and places a disproportionate burden on those which do.

30. (Recommendation 30) If the European members of the Alliance want to be taken seriously, if they want the United States to remain engaged in, and committed to, NATO, and if they want greater influence in the overall direction of Alliance policy, they must commit the necessary resources and improve their capabilities. We are concerned that an Alliance with such large, and growing, discrepancies in defence expenditure will not be sustainable in the long term. (Paragraph 167)

See response to recommendation 9 above.

31. (Recommendation 31) Membership of the Alliance within the North Atlantic area should continue to be based on the ability of applicant countries to meet NATO's performance-based Membership criteria rather than the imposition, by the Alliance, of arbitrary territorial boundaries. Welcoming new members at the Bucharest Summit, or granting Membership Action Plans to those who meet NATO's criteria, would be a powerful signal that the Alliance remains committed to its open door policy. (Paragraph 171)

32. (Recommendation 32) We call upon the Government to state clearly, in advance of the Bucharest Summit, which countries it intends to support in their applications for full membership of NATO and for Membership Action Plans. (Paragraph 172)

The Government is keen to keep the door open to those European countries that share NATO's values and meet its standards, as enshrined in Article 10 of the Washington Treaty. The UK was pleased that, at Bucharest, membership invitations were extended to Albania and Croatia; and clear perspectives of future membership given to Macedonia, Georgia and Ukraine.

33. (Recommendation 33) Previous enlargements of NATO have made an essential contribution to the development of stability and democracy in Europe. Many of NATO's newer members have made significant contributions to Alliance operations and are improving their military capabilities. Equally importantly, enlargement to date has played an important role in extending and embedding democracy in Central and Eastern Europe. (Paragraph 176)

NATO is an alliance based on shared values and standards. Membership—indeed, the very goal of NATO membership—contributes to regional security, and democratic, economic and human rights reform. NATO's enlargement, and more broadly its Partnership for Peace initiative, has played a vital role in managing fundamental changes to the shape of Europe following the end of the Cold War.

34. (Recommendation 34) The performance of Albania, Croatia and Macedonia in meeting the criteria for NATO membership will be assessed at the Bucharest Summit. Providing they meet those criteria there is no reason why they should not be admitted into the Alliance. (Paragraph 181)

At Bucharest, Albania and Croatia were invited to join NATO and will now begin accession talks. It was disappointing that an invitation was not also extended to Macedonia because of a bilateral dispute with Greece over its constitutional name. The Alliance was clear that an invitation would be forthcoming as soon as a mutually acceptable name has been agreed between Macedonia and Greece. We hope that this agreement can be achieved as soon as possible.

35. (Recommendation 35) Georgia's ambitions for joining NATO will depend upon its performance in meeting the Alliance's criteria for participation in a Membership Action Plan. Although we are not in a position to judge for ourselves whether Georgia currently meets those criteria, we support, in principle, its long-term ambition to join the Alliance. (Paragraph 189)

The Government supports Georgia's Euro-Atlantic aspirations and was pleased that Georgia was given a clear perspective of eventual membership of NATO. There will now be a period of intensive engagement between NATO and Georgia to address the outstanding matters pertaining to its application for a Membership Action Plan.

36. (Recommendation 36) Before joining NATO, Georgia must demonstrate clearly and unambiguously the strength of its commitment to democracy and further democratic and political reform. It must also work to resolve the conflicts in Abkhazia and South Ossetia, though much depends on the willingness of Russia to play a constructive role. For NATO, there are real and legitimate concerns about admitting a country with unresolved conflicts within its borders. But if NATO insists upon the resolution of the conflicts before Georgia is allowed to join NATO, this will effectively hand Russia a veto over Georgian membership of the Alliance. (Paragraph 190)

NATO Foreign Ministers will consider further Georgia's progress—including their domestic reform, and developments in resolving the frozen conflicts in Abkhazia and South Ossetia. Georgia's membership of NATO is a matter for NATO Allies and Georgia; no third party has a veto.

37. (Recommendation 37) Although Ukraine has indicated its desire to be considered for a Membership Action Plan, it seems highly unlikely that NATO will decide to make such an offer at the Bucharest Summit. The Ukrainian population is, at best, seriously divided on joining NATO and, at worst, opposed. For NATO to accept as a new member a country whose population did not support such membership would in our judgement exacerbate the problems considered earlier in this report. While in principle, if Ukraine demonstrates its commitment to the principles of the Alliance and fulfils the criteria for membership outlined by NATO, the Alliance should consider an application for membership, that application should in the longer term be determined only after great weight has been given to the wishes of the people of Ukraine. (Paragraph 195)

At Bucharest, Ukraine was given a clear prospect of future membership of NATO, and support was offered for their request for a Membership Action Plan. The Government looks forward to a period of intense co-operation between the Alliance and Ukraine until they are admitted into NATO's Membership Action Plan.

Although there is strong government support in Ukraine for closer ties with NATO, public opinion on whether Ukraine should join NATO is currently low. The most immediate task for the Ukraine government will be to implement a transparent information campaign to reach out to all Ukrainians to address some of the significant information gaps. The UK is looking at ways to help with this process.

38. (Recommendation 38) NATO should continue to be open to the acceptance of new members in the Euro-Atlantic area. The promise of NATO membership provides the Alliance with a means of encouraging countries on its borders to embrace internal democratic reform and the reform of their armed forces; it is a powerful tool of defence diplomacy. However, it is important that as new members join the Alliance they bring with them additional capabilities or, at the least, a commitment that would add to NATO's capabilities in future. New members cannot only be consumers of security; they must also contribute to the common defence. (Paragraph 199)

The Government is keen to keep the door open for further enlargement, which we believe will reinforce security in its own right; not least in driving up standards and democratic reforms in those countries aspiring to membership. But we must also remain clear that NATO is a performance-based Alliance, and all Allies—and those nations wishing to join the Alliance—must be willing and capable of contributing to NATO's collective defence and operations and mission.

39. (Recommendation 39) Membership of NATO should continue to be performance-based; if a country meets the criteria for membership, it should be permitted to join. We believe it is essential that NATO's open door policy is maintained on this basis. Ending the Alliance's open door policy on membership is not in the interests of the Alliance itself or European stability as a whole. Signalling that the Alliance has reached its outer limits, or ruling out further expansion, would consign those countries left outside NATO's borders to an uncertain future, potentially creating instability on the Alliance's Eastern fringes. Perpetuating this instability is not in the interests of any member of the NATO Alliance. (Paragraph 200)

NATO is a Euro-Atlantic security alliance and this sets natural boundaries for its membership. But NATO does not exist in a vacuum, and the Alliance has built up an extensive network of partners on its borders through Partnership for Peace (23 participating nations), the Mediterranean Dialogue (7); the Istanbul Co-operation Initiative (4); and the so-called Contact Countries such as Australia, New Zealand and Japan. NATO's Partnerships is one of its success stories: contributing to all our security and promoting our shared values. Partnerships have become very much part of NATO's core business in the 21st Century. We are determined to develop these relations further. As NATO continues in its transformation, and as it engages more frequently on operations outside its traditional Euro-Atlantic area of interest, it is vital that its Partnerships—in all their guises—keep pace and adapt to ensure that they remain relevant to the needs both of the Alliance and its Partners.

40. NATO should continue to work closely with nations beyond its borders and should work to enhance further its relationships with Australia, New Zealand and Japan. Formalising the relationship between NATO and these countries is desirable, but this need not involve full membership of the Alliance. Extending full NATO membership beyond the Euro-Atlantic area carries distinct risks; there is a danger it could dilute the coherence of the Alliance, create yet more questions about its role and purpose, or complicate decision-making. However, NATO should continue to embrace the concept of global partnerships and seek to intensify cooperation with like-minded allies. (Paragraph 210)

NATO needs to operate in an increasingly complex and global environment and to respond to security challenges from wherever they may come. It has developed a range of partnerships to help it do this. This does not mean NATO should become a global security organisation. Rather, it means that NATO needs to strengthen its ability to work with a range of countries—such as Australia, New Zealand and Japan—which share its interests and values, and are prepared to participate in NATO-led operations and missions.

41. (Recommendation 41) EU Battlegroups are a significant innovation and promise, in theory, to improve European capabilities, force generation and interoperability. Given the poor level of European capabilities and the difficulties encountered in generating sufficient forces for Afghanistan, such improvements can only be welcome and would represent a significant capability gain. A key test of whether Battlegroups represent a useable military capability will be the ability of these force packages to fight, but, as in Afghanistan, this requires a level of political will on the part of the troop contributing nations that may not exist. We also doubt whether the creation of Battlegroups will lead to any increases in European defence budgets, which is the key to improving military capabilities. (Paragraph 233)

The Government agrees that EU Battlegroups are a significant innovation and we believe that their creation has increased the EU's crisis management capabilities. Battlegroups have also acted as a catalyst for transforming some Member States' armed forces from static to expeditionary—a good example is Sweden, whose leadership of the EU 'Nordic' Battlegroup has generated a significant transformation of their armed forces, and a move away from territorial defence and towards the development of flexible, expeditionary capabilities.

We are confident that the commitments EU Member States have made to the EU Battlegroup concept, and the certification and training requirements that are in place for every Battlegroup that is on call, mean that Battlegroups do represent a useable military capability. Specifically it represents one possible answer to the timely provision of the necessary capabilities for an EU-led Crisis Management Operation requiring a rapid response. We are confident that if a situation arose that required the use of an EU Battlegroup, there would be the required political will for deployment, although this would be a decision taken by unanimity amongst Member States on a case-by-case basis.

The rationale behind the creation of the EU Battlegroup concept was not primarily to increase European defence budgets, but to encourage Member States to invest in developing the capabilities that are required for modern crisis management operations. However, we would of course welcome any increases in Defence budgets that resulted from Member States transforming their armed forces from static to expeditionary.

42. (Recommendation 42) The fact that EU Battlegroups are intended to perform some of the more robust elements of the Petersburg Tasks suggests some degree of overlap of role and responsibility with the NATO Response Force. Any duplication must be avoided. However, if Battlegroups help European nations to improve significantly their force generation processes, this is likely to help NATO meet the force requirements of the NRF. (Paragraph 234)

EU Battlegroups are intended to be capable of dealing with the full range of Petersberg Tasks: Humanitarian and rescue tasks; peacekeeping tasks; and tasks of combat forces in crisis management, including peacemaking. We believe this offers an additional and complementary capability to the NATO Response Force, and that the most appropriate organisation to respond to any crisis situation would be considered on a case-by-case basis in consultation with other international organisations including the UN and the African Union. The fact that EU Battlegroups are capable of performing the more robust elements of the Petersberg tasks could be particularly useful in situations where NATO as a whole is not engaged. We agree with the Committee that unnecessary duplication must be avoided and continue to work hard in Brussels to ensure this does not happen.

The Government agrees with the Committee that if EU Battlegroups help European nations to improve significantly their force generation processes, then this is likely to help NATO meet the force requirements of the NRF. Each European Ally and / or EU Member State has only one set of forces, and therefore any increase in Defence capabilities of EU Member States resulting from EU Battlegroups will also be of benefit to NATO.

43. (Recommendation 43) The EDA potentially has an important role to play in improving European capabilities, but the suggestion that the Agency lacks structure and orientation is worrying. The EDA should focus more narrowly on delivering real improvements in capabilities, interoperability and deployability. For the EDA to make a really useful contribution, it needs to be integrated with NATO's effort in this area, so interoperability extends throughout the EU and NATO. Yet, in light of its limited resources, we are not convinced that it can make a great difference. (Paragraph 243)

The European Defence Agency (EDA) is only four years old and continues to develop its strategies and processes. We agree that the Agency should focus more narrowly on

delivering improvements in capability particularly focusing on deployability and interoperability and we will be reiterating this message to the Agency when we discuss their 2009 work programme. We believe that the Agency should be working more closely with NATO on capability development: to encourage this we have made it clear that we want both NATO and the EDA to be engaged and working together to improve helicopter capabilities available to NATO and ESDP.

We do not share the Committee's opinion that the EDA can make little difference because of its limited resources; the EDA can add value to capability development in Europe by facilitating projects between groups of Member States to address capability shortfalls. Support from the EDA in the form of scoping studies to help define a shared requirement adds value and fosters multinational cooperation.

44. (Recommendation 44) We believe it is essential that, in promoting the development of European capabilities, the EDA should not duplicate the work of NATO's Allied Command Transformation. The Defence Procurement Code of Conduct must not become a vehicle for European protectionism by excluding American products. (Paragraph 244)

We agree that it is essential that the work of the EDA does not duplicate the work of NATO Allied Command Transformation and wherever possible we insist that the EDA undertake a gap analysis to ensure that any potential project is not duplicating work already underway.

The EDA Code of Conduct on Defence Procurement aims to encourage more use of open competition for the defence equipment procurements of EU Member States where they previously had used the exemption under Article 296 of the Treaty of the European Community. The Code does not restrict or discourage Member States from looking beyond Europe for its military capability. Neither is the Code a vehicle for European Protectionism by excluding competition from the US market place. To reinforce this very point as of 30 April, of the 60 contracts awarded as a result of the Code, 16 contracts have been awarded outside of the contracting Member States and 2 of these contracts have been to US companies.

45. (Recommendation 45) Turkey's exclusion from membership of the European Defence Agency is deeply regrettable. Turkey has an enormous amount it could contribute to Europe's capabilities and its defence spending is among the highest of all NATO states. We believe Turkey should be admitted to the EDA as a matter of priority. (Paragraph 246)

We agree that it is regrettable that Turkey does not have a relationship with the EDA since we share the opinion that Turkey could make a significant contribution to European capability. Although Turkey cannot be a full member of the EDA because it is not a Member of the EU, it can have an administrative arrangement with the Agency which would enable it to participate in Agency activities. However this would require a unanimous Council decision and it has not so far been possible to reach consensus on this. We continue to make efforts at the highest level to resolve these difficulties, as described below.

46. (Recommendation 46) A close relationship between NATO and the EU is essential. The lack of it is inexcusable given the importance of NATO to EU security. In practice, the relationship between NATO and the EU is fraught with difficulties. It is plagued by mistrust and unhealthy competition, and characterised by a lack of communication and cooperation. Little progress has been achieved in recent years in improving a relationship which remained stalled and inefficient. (Paragraph 250)

47. (Recommendation 47) There is a pressing need for a stronger, expanded and more cooperative relationship between NATO and the EU. This is essential for both organisations. (Paragraph 264)

The Government agrees that a close relationship between NATO and the EU is essential and places a high priority on fostering strong and effective links between NATO and the EU, respecting the different political identity of each organisation. We need to avoid unnecessary duplication of capabilities between the two thereby also minimising the chance that doctrine and procedures will diverge. We fully are aware of the political constraints still preventing the kind of open and fully-interactive relationship we want to see between the two but we continue to look for opportunities to urge greater flexibility on both sides and to encourage others to do the same.

But vitally, co-operation between the two organisations on the ground is good, and delivering real results, in Kosovo and Afghanistan, and as it has in the past in the Balkans. The diplomatic difficulties are very real, but we are doing our best to resolve them and to ensure that they do not get in the way of delivery on the ground.

48. (Recommendation 48) We do not believe a grand bargain between NATO and the EU in which NATO provides the hard power and the EU a soft alternative is either feasible or desirable. It would be the antithesis of the comprehensive approach which is so vital to current operations, such as Afghanistan. Nor do we believe that NATO should be confined merely to territorial defence of the Euro-Atlantic area. (Paragraph 265)

The Government agrees with the Committee's assessment. We see NATO as the guarantor of Europe's security and the means for achieving its collective defence. In addition we support NATO's engagement as a global security actor, as demonstrated by the ongoing operation in Afghanistan, where this is consistent with international law including the North Atlantic Treaty 1949. But we recognise that there will be (and have been) instances when NATO will not be involved and so we see the EU as a strategic player in its own right, able to complement NATO's efforts and able to conduct its own crisis management operations, using its more comprehensive range of instruments.

49. (Recommendation 49) We believe improving the NATO-EU relationship should be a key priority for NATO at the Bucharest Summit. Although the relationship is unlikely to improve radically in the short-term, the Summit represents an opportunity to set a new longterm course in NATO-EU relations. This should involve an expanded strategic dialogue between NATO and the EU, possibly by reinvigorating the contacts between the North Atlantic Council and the EU's Political and Security Committee, and by identifying a series of small-scale and pragmatic initiatives to foster greater trust and cooperation between the two organisations. (Paragraph 266)

At the NATO Bucharest Summit, Heads of States and Defence Ministers discussed the importance of improved NATO-EU co-operation based on the inherent complementarity between the two organisations, with particular focus on developing joined-up civilian-military operations and capabilities that are available to both organisations. There was also emphasis on the opportunities provided by France's intention to take a full role in a transformed NATO. The Government fully supports this sentiment and is working with France and other NATO and EU allies to foster greater trust and co-operation between the two organisations.

50. (Recommendation 50) The provisions for permanent structured cooperation in the Lisbon Treaty promise to enhance European defence capabilities and expenditure. If the Treaty can deliver such long overdue improvements, which can be called on for EU and NATO missions, they can only be welcome. Improving military capabilities throughout Europe is in the interests not only of the EU but also of NATO. However, we remain to be convinced that PSC will deliver such improvements in practice. European nations have so far shown little appetite in investing sufficiently in defence. (Paragraph 274)

51. (Recommendation 51) It is essential that permanent structured cooperation does not lead to the development of a two—or three—tier Europe in defence matters. This would be counter to the interests of NATO. (Paragraph 275)

The Government welcomes the Common Security and Defence Policy (CSDP) provisions proposed by the Reform Treaty. We believe they will contribute to the development and strengthening of the open, flexible, militarily robust, and NATO-friendly European Security and Defence Policy (ESDP) that the UK pioneered and supports.

Permanent Structured Co-operation (PSC) provides an inclusive process focused exclusively on the development of military capabilities and is in line with the UK's key objective of improving European capability development. We do not believe that it will lead to the development of or a two or three tier Europe as it is focused exclusively on military capabilities, and we expect it to be set up in a way that it is accessible (although challenging) to all Member States.

52. (Recommendation 52) How permanent structured cooperation will work in practice remains unclear. We call upon the MoD, in its response to this report, to state clearly how it expects PSC to work in practice. (Paragraph 276)

Since improved capability development is a key UK objective, it is likely that we would look to launch PSC as soon as practicable, in co-operation with other like minded Member States. However, detailed discussions with other Member States on how PSC will work in practice will not take place until after the Treaty has been ratified by all Member States; therefore it is not possible to provide the Committee with any further information at this time.

53. (Recommendation 53) The establishment of an EU mutual defence clause by the Lisbon Treaty overlaps, to some extent, with the provisions of Article 5 of the North Atlantic Treaty. This should be clarified at Bucharest. Although this ensures that non-NATO members of the EU are now committed to each other's defence, we believe it is essential that nothing in the Treaty undermines the primacy of NATO for its members.

There must be no unnecessary duplication of commitments or roles which undermine the common defence. (Paragraph 281)

The provision on mutual assistance reflects the assumption that EU Member States would come to the aid of other Member States in the unlikely event that they were the victim of armed aggression on their territory. EU Member States who are not members of NATO are now committed to the aid and assistance of fellow EU Members, to the potential benefit of the UK. The Treaty clearly states that for its members, NATO remains the foundation of their collective defence and the forum for its implementation. Article 1(49) (c) 7 says:

“Commitments and cooperation in this area shall be consistent with commitments under the North Atlantic Treaty Organisation, which, for those States which are members of it, remains the foundation of their collective defence and the forum for its implementation”

This makes clear that the Lisbon Treaty does not change the current situation for EU Member States which are also NATO members, such as the UK, and that their collective defence will still be organised and implemented through NATO. The Lords’ report stated: “This is a new provision and represents a strengthening of the reference to the role of NATO in the Treaties”.

The obligation to provide assistance falls on individual Member States, not the institutions of the EU and there is no change to the fundamental purpose and core tasking of the European Security and Defence Policy. The provision does not therefore provide a basis for the development of an EU collective defence organisation.

54. (Recommendation 54) We believe that the key test of the Lisbon Treaty will be the extent to which it makes a real difference in increasing European military capabilities, which so starkly lag behind those of the United States, and in improving the deployability of European forces. We are sceptical that the Treaty will itself achieve such improvements. This requires European countries to decide to spend more on defence—decisions they have so far been reluctant to take. (Paragraph 282)

We agree; our efforts within Europe have been focused on helping other Member States develop modern deployable, interoperable and sustainable capabilities required for EU, NATO and UN operations. The Committee’s summation that the Capabilities and resources spent on Defence in Europe lag behind those of the US is accurate. We will continue our efforts in both NATO and the EU to encourage all European allies to spend more wisely on defence capabilities. We hope that the provisions in the Lisbon Treaty will provide a renewed political impetus to deliver the capabilities Europe needs to fulfil its level of ambition.